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UNCLAS QUITO 001218

SIPDIS

SENSITIVE

DEPT PASS TO USTR BENNETT HARMAN

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SUBJECT: ENERGY MINISTER ON HIS WAY OUT?

REF: QUITO 1115

1. (SBU) Elder statesman and self-professed man of integrity, Energy Minister Fausto Cordovez may not be long in his job. Two weeks ago, he reportedly tendered his resignation to President Palacio when Palacio insisted on appointing Palacio confidant Robert Pinzon as the new president of state-run oil company PetroEcuador, instead of one of Cordovez's inner circle. More worrisome, Cordovez, who claimed he had the integrity and stature (reftel), if not the sector knowledge, to run the crucial oil and energy ministry, has turned out to be a bit of a deadbeat. Approached last week by a newspaper about alleged delinquent debts, Cordovez sought a several day delay for the interview. In the intervening days, Cordovez miraculously came up with over \$100,000 to pay off the debts, some of which had been lingering for 8 years. He said he got the money from his children.

2. (SBU) Cordovez's payment problems were front-page news in Sunday's papers, but President Palacio has not yet accepted his resignation. The Friday before his delinquent payment history became public, Cordovez was crowing about his integrity to a group of private oil and energy company executives (whom the GOE owes millions), never mentioning that he was also going to pay off his own delinquent accounts that day. The failure to pay debts is nothing new in Ecuador and the laws greatly favor debtors over creditors, but Cordovez's seeming hypocrisy could damage his credibility. That could make it harder for the Ecuadorian public to accept any settlement Cordovez must approve with Occidental Petroleum (should it ever come to pass), or any of the other pending private oil and energy sector company disputes. Chacon